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**CHALLENGES IN THE SUPERVISORY BOARD ROOM:
AN EXPLORATORY STUDY IN THE NETHERLANDS**

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ABSTRACT

As a consequence of recent corporate governance reforms, the work of supervisory board members in the Dutch two-tier system has become more complex. The objectives of this study are to gain more insight in the current challenges that supervisory board members face and assess whether they are well-equipped to manage them. Based on a combination of an analysis of self-assessment reports, a web-based survey and semi-structured interviews, we conclude that the major challenges of supervisory board members lie in the field of interaction and collaboration with executives. Distinct ‘challenge areas’ were relatively often perceived as problematic as well as important, highlighting the need to improve the current functioning of boards. With regard to the skills that are present on supervisory boards, we find that individual qualities, like integrity, professionalism and knowledge, are better recognized than collective qualities for the supervisory board as a whole. In particular, openness and honesty are seen as important, but often lacking. The paper highlights several implications for scholars and practitioners.

Key words: board of directors, supervisory board, board roles and skills, corporate governance developments, the Netherlands.

INTRODUCTION

The past decennium shows important developments in the corporate governance systems of most Western countries. Global mobility of capital and the spread of the Anglo-American shareholder value model have fueled the debate on corporate governance practices around the globe (cf. Fiss and Zajac, 2004; Ingley and Van Der Walt, 2005; Kiel and Nicholson, 2003; Yoshikawa et al., 2007). Moreover, integrity problems and failing supervision have led to numerous corporate scandals, such as Enron, WorldCom and Ahold. As a result financial markets have introduced stringent corporate governance regulations such as the Sarbanes-Oxley Act, EU Company Law Directives and numerous national corporate governance codes (Aguilera and Cuervo-Cazurra, 2004; Enrione et al., 2006; Sheridan et al., 2006). A communality in these reform initiatives has been the emphasis on (i) restoring the public's trust and (ii) ensuring that appropriate "checks and balances" are put in place in the regulatory system and corporations (Daily et al., 2003). Among others, the rights and duties of shareholders, the importance of financial transparency and risk management, and the fiduciary role of auditors have been addressed and redefined in these corporate governance reform initiatives.

Another key topic of debate has been the appropriate role of boards of directors in changing corporate governance systems (Bezemer et al., 2011; Corley, 2005; Huse, 2007; Huse and Rindova, 2001). Scholars have noted that expectations for boards' involvement in decision-making and supervision have changed and that board roles and structures in most Western countries are evolving as a result (Akkermans et al., 2007; Bezemer et al., 2007; Chhaochharia and Grinstein, 2007; Hillier and McColgan, 2006; Hooghiemstra and Van Manen, 2004; Long, 2006; Samuels et al., 1996; Valenti, 2008; Wintoki, 2007). Particularly, two factors are contributing to this development. *First*, multiple corporate governance reform initiatives, in line with principles of the agency theory, are being introduced to strengthen

board control and board independence (Daily et al., 2003; Enrione et al., 2006; Finegold et al., 2007). *Second*, boards of directors have come under closer scrutiny of the public and shareholder activists (Cogut, 2007; Loring and Taylor, 2006; Wu, 2004). As a consequence, members of boards of directors are increasingly faced with the challenge to “*demonstrate effective leadership, quality decision-making processes and the ability to exercise corporate controls*” (Long, 2006:547).

While the changing nature of board roles and structures has been well-established in the literature (cf. Akkermans et al., 2007; Chhaochharia and Grinstein, 2007; Hooghiemstra and Van Manen, 2004; Long, 2006; Valenti, 2008; Wintoki, 2007), less is known about the ways in which growing complexities in business and society affect the functioning of boards (Bezemer et al., 2011). For instance: what are the main challenges for boards in contemporary society, which functional qualities are highly valued but often lacking (at an individual and group level), and when do there exist mismatches between role requirements and functional qualities of board members. In this paper we examine this kind of issues by analyzing the outcomes of eleven self-assessment reports of supervisory boards, the results of an exploratory survey among a sample of Dutch board members and five in-depth interviews with well-known Dutch board members.

In doing so, we contribute to the literature in at least two ways. *First*, while prior research in general has examined the “usual suspects” and more visible features of boards of directors, we examine, instead, the softer factors that might inhibit the board from performing adequately. We simultaneously assess challenges that are inherent to the job of director and challenges that may result from a lack of skills at the board level. Interestingly, our results highlight that corporate governance codes and laws are (often) unable to regulate the softer issues that are perceived most critical. This suggests that alternative types of interventions are necessary to improve the checks and balances in the corporate governance of listed firms in

the Netherlands. *Second*, while one-tier boards have been investigated quite extensively, we provide a more thorough understanding of the challenges that board face on two-tier boards. We illustrate that the legal separation of decision control from decision management in two-tier boards adds an extra layer of complexity to the changing societal expectations of boards.

The paper is structured as follows: section one describes recent developments, the two-tier board model and reform initiatives in the Netherlands. Section two summarizes previous research on challenges in one-tier and two-tier boards. Section three describes the research method, i.e., a combination of an analysis of eleven self-assessment reports of supervisory boards, an exploratory survey among a sample of Dutch board members and five in-depth inter-view with supervisory board members. Section four describes the challenges which supervisory board members face in the Netherlands and assesses whether boards have the required skills to manage them adequately. Section five concludes with a discussion of our key findings and highlights the implications for scholars and practitioners.

THE DUTCH CORPORATE GOVERNANCE SYSTEM

The roots of the contemporary Dutch open-economy can be found in the glory days of the Golden Age. In this era, when the Netherlands were one of the largest trading nations, the Dutch founded the ‘Dutch United East India Company’, the first joint stock company in the world. With a small group of large, internationally diversified firms and a GDP that is dependent on foreign investment and trade (more than 60%), the Dutch trade origins and international orientation are still prominent. The Netherlands are a welfare state with a long tradition of balancing the interests of societal groups. The Dutch corporate governance system is unique in the sense that company law explicitly defines corporations as legal entities which must take into account the rights of all stakeholders affected by the company. The institutionalized stakeholder approach is supported by a two-tier board model consisting of a

management board and a supervisory board. The supervisory board solely consists of non-executive directors to assure its independence and has the duty by law to supervise and advise the management board while acting in the best interests of the company and all stakeholders involved (Akkermans et al., 2007; De Jong et al., 2005; 2006; Hooghiemstra and Van Manen, 2004; Maassen, 1999; Maassen and Van Den Bosch, 1999).

Over the last decade, the corporate governance landscape in the Netherlands has changed dramatically with the internationalization of the shareholder base of listed firms. Particularly, the share of Anglo-American oriented investor groups (Abma, 2006) and the number of foreign directors have increased (Spencer Stuart, 2006). As a result, board members are more exposed to foreign investors' corporate governance expectations and their willingness to actively challenge boards of directors. Examples of "successful" shareholder activism by foreign investors are the ABN AMRO takeover by a consortium led by the now split up Fortis Bank, and Stork, a Dutch technology company, where a hedge fund forced the corporation to restructure. Corporate governance scandals (e.g., Ahold, Enron, WorldCom and Parmalat) also have fueled the Dutch debate and contributed to amendments to the Dutch company law in 2004 and the introduction of a new corporate governance code, the Tabaksblat Code, in 2003, which was amended by the committee Frijns in 2008. In sum, these developments have contributed to a convergence of the institutionalized stakeholder model and the Anglo-American shareholder model in the Netherlands (Bezemer, 2010; Bezemer et al., 2007; Van Ees et al., 2003).

COMPARING ONE-TIER AND TWO-TIER BOARDS

Traditionally, the primary responsibility of the board of directors has been to control the top management team to ensure that executives act in the interests of shareholders. The boards' control role is rooted in agency theory and deemed necessary for counteracting managerial

opportunism that may arise as a result of the separation of corporate ownership from management (Davis et al., 1997; Zahra and Pearce, 1989). In addition, scholars have recognized the service role of boards, i.e., board members may positively contribute to corporate decision-making by providing advice and counseling to executive directors (Huse, 2005; 2007; Zahra and Pearce, 1989). Both board roles appear to be conflicting as the control role requires board independence, distance and a focus on the prevention of managerial opportunism, while the service role requires from directors interdependence, closeness and a focus on joint value creation (Forbes and Milliken, 1999; Van Hamel et al., 1998; Sundaramurthy and Lewis, 2003).

The control and service roles of boards are organized differently in corporate governance systems around the globe. Most investors are familiar with the one-tier board model in which executives and non-executives are jointly responsible for both roles. In this model, executive directors provide in-depth knowledge of the daily operations of the corporation and may raise issues that might otherwise have been neglected in board meetings (Davis, 1991; Kesner and Johnson, 1990; Muth and Donaldson, 1998). The presence of executive directors enables the board to contribute to the decision-making process and to evaluate the outcomes (Maassen, 1999; Williamson, 1985) at greater speed with fewer bureaucratic hurdles (Davis, 1991; Muth and Donaldson, 1998). However, scholars have observed that insider dominated boards may overlook the opportunities that outsiders may offer in terms of alternate knowledge (Carpenter and Westphal, 2001; McNulty and Pettigrew, 1999; Rindova, 1999) and external relationships (Boyd, 1990; Mizruchi, 1996; Pfeffer and Salancik, 1978; Westphal et al., 2001). Insider dominated boards may also jeopardize checks and balances as non-executive directors may be better able to provide independent board control (Daily et al., 2003; Sundaramurthy and Lewis, 2003).

While the one-tier model integrates decision management and decision control (Fama

and Jensen, 1983), the two-tier board model provides for a formal separation of executive and non-executive directors who operate in separate boards with their own specific roles. Executive directors are responsible for the day-to-day operations of the firm and the supervisory board is responsible for the supervision of management and for providing advice and counseling to executives (Christensen and Westenholz, 1999; Hooghiemstra and Van Manen, 2004; Maassen and Van Den Bosch, 1999). The independence of the board from management is provided by law to ensure that “checks and balances” are in place as the supervisory board has the duty to act in the best interests of the firm and its stakeholders. Non-executives also may bring in useful resources and knowledge. For instance, directors of banks have always played an important role in the intercorporate network in the Netherlands (Heemskerk, 2007). A disadvantage of the two-tier system, however, is the additional bureaucratic burden on the corporation that may hamper the speed of decision-making (Maassen, 1999; Muth and Donaldson, 1998) and create information asymmetries among executive directors and non-executive directors (Davis, 1991; Hooghiemstra and Van Manen, 2004). Table 1 provides a concluding summary of the main communalities and differences between both board models. In the remainder of this paper, we will analyze and discuss the challenges that supervisory boards members face in the changing Dutch corporate governance context.

---- Insert Table 1 about here ----

METHODS

To analyze the main challenges supervisory board members currently face in the Netherlands, we utilized various research methods along the three stages of this study. In *phase one*, we compared the outcomes of eleven self-assessment reports¹ of boards of supervisory directors.

¹ The self-evaluation processes referred to are supported by one of this paper's authors

The outcome of each self-assessment contained the strengths and weaknesses of each board, and an action plan to improve the functioning of that board. Examples of strengths/weaknesses include among others (in)adequacy of information for the board and (ill)quality communication with the executive board. Furthermore, the self-assessment reports provided a good starting point for mapping the functional qualities of individual supervisory board members (like ‘integrity’, ‘knowledge and experience’) and the supervisory board as a whole (like the ‘one board, one voice’ principle and ‘openness and honesty’).

In *phase two*, we used the results of stage one to construct a well-structured questionnaire, focusing on challenges in the (supervisory) board room and functional qualities of supervisory boards and their members in the Dutch setting. The questionnaire starts off with some questions to determine the composition of the sample. Next to this, a question section appears, specifically aiming at challenges for supervisory board members. This section starts with an open question that tests responses of supervisory board members without providing any suggestions (i.e., ‘what challenge(s) do you remember in your function as supervisory board member?’). After this, the 17 challenge areas are displayed with the option to answer ‘yes’ or ‘no’. If ‘yes’, there was room to add an explanation. This approach helped us to determine which percentage of the respondent actually encounters challenges on the suggested fields and to provide more qualitative insight in the way those challenges are being perceived. In the third part of the questionnaire we asked the respondent’s opinion about the importance of the challenges in the 17 challenge areas on a 1 through 5 Likert scale. This question enabled us to confront challenge areas with their relative importance. The final section of the questionnaire examined the functional qualities of boards and their members. The respondent were asked to rank the qualities from 1 (most important) through 7 (least important), whereby every number could be used only once per list. This enabled us to calculate an average per functional quality. Furthermore, respondents had the option to add

qualities and include them in the ranking. Finally, the respondents were asked which qualities he or she recognizes most, in person as well as in the supervisory board served.

In June 2010 we sent the web-based questionnaire to 143 (former) board members, all alumni of the Governance University. 41 of them responded within one week, yielding a response rate of 29%². The background of the respondents varied widely in terms of sector (ranging from NGO boards and public sector bodies to listed corporations). Over 68% of the respondents had one or two board positions at the moment of the research. Almost half of these respondents had one to four years of experience (see table 2).

---- Insert Table 2 about here ----

Finally, in *phase three*, semi-structured interviews were held in autumn 2010 with highly-experienced supervisory board chairmen and former CEOs of listed firms on the NYSE Euronext in the Netherlands (see table 3). As to the selection of participants, we used convenience sampling (all interviewees were contacts of the Governance University), given well-known difficulties for researchers to obtain access to individuals at this level of analysis (Daily et al., 2003; Pettigrew, 1992). Aim of the interviews was to falsify our stage two results and obtain expert opinions about the required steps to further improve the functioning of supervisory boards in the Netherlands.

---- Insert Table 3 about here ----

EMPIRICAL RESULTS

Main Challenges Supervisory Boards

While the changing nature of board roles and structures has been well-established in the literature, less is known about the ways in which growing complexities in business and

² 7 respondents were currently not in function as supervisory board member and only filled in part of the survey

society affect the functioning of boards. The results of our survey indicate that most of our respondents face quite some challenges in their job as supervisory board member: 88% of the 34 respondents indicates that (s)he has experienced a challenge in four or more (of the 17 distinguished) areas and more than 40% of them reports more than seven challenge areas. The average number of challenges per respondent amounted 5.9. Interestingly, the number of challenges seems neither to be related to the number of board positions, nor to the number of years experience.

---- Insert Figure 1 about here ----

A closer examination of our survey results shows that most supervisory board members declared an *operational* problem as most striking, like the implementation of a risk management system, integrating businesses after an international merger or approving the long term strategy. All these examples simply regard to the operational side of the supervising task and do not refer to the *functioning of the supervisory board* itself. In the latter category, the most mentioned key challenges were (i) interrogating the board when necessary (82%), (ii) working together with the executive board (67%), and (iii) having constructive and useful meetings (50%) (see figure 2).

---- Insert Figure 2 about here ----

Table 4 reports the result of the question ‘[h]ow important do you think that a challenge in one of the following areas is to the well-functioning of a supervisory board?’. While the scores are generally high for all categories, integrity is considered to be most important (4.8), followed by the category interrogation (4.6). Interestingly, questioning the executive board also scored high as problem area. The lowest in rank are challenges in the area of statutes and by-laws, although still perceived as important with an average score of

---- Insert Table 4 about here ----

Using the urgency/importance framework of Covey et al. (1994), juxtaposing the most frequent and most important challenges tells us which areas of the functioning of boards deserve the highest priority. Figure 3 displays the outcome of this analysis, using the mean as cut-off to classify challenges as (un)important and (in)frequent. As shown in the upper left corner, four board issues seem to be most prominent. The challenge area with the highest priority seems to be the interrogation of the executive board. Problems in this area are perceived as very important (4.6). These results highlight a lack of transparency from the executive board in the direction of the supervisory board. As one of our interviewees remarked: *“an executive director that wants maximum freedom tends to dwindle into vagueness and promises”*. The solution seems to be, as one respondent remarked, *“questioning, questioning and, again, interrogating”*. When the executive board does not provide clarity after this questioning session, some respondents admit that they give up (too) easily. Some respondents are very distinct about this: *“it is a clear case that executive directors have to answer all supervisory board questions completely, whether they perceive the questions relevant or not. Executive directors are obliged to answer”*. From the results we conclude, however, that four out of five supervisory directors find this problematic.

The analysis above also shows that social intercourse and working with the executive board is another challenge area that has high priority: 67% of the respondents have experienced challenges in this field once or more and the importance rate is 4.3. Some of the problems in this area can be related to the information supply, on itself a high priority area with 47% and 4.4 scores on recognition and importance, respectively. Respondents remarked, among others: *“In some cases, the information supply is not based on the needs of supervisory*

board members whatsoever”, “*a tsunami of data was produced*” and “*the executive board does not play an active role in bringing up information at all*”.

The fourth and final area that lies within this quadrant is role confusion: 47% of the respondents have experienced challenges there and find them important (score 4.2). Experiences in this area vary. For instance, one respondent notifies his case, in which the supervisory board regularly involves in executive tasks – which is not desirable in the two-tier system. Another declares an opposite view, where the executive “*thinks he’s in charge*”. Some point out role complications as a result of mergers of structure changes. At the same time there is consensus that role confusion can be overcome by addressing the challenge to the executive board and create consent.

---- Insert Figure 3 about here ----

Functional Qualities of Supervisory Boards and Members

Judging the different functional qualities for members of the supervisory board as well as the supervisory board as a whole was performed by ranking them: the lower the rate, the higher the ranking. The questions were as follows: ‘rank the functional qualities mentioned below in an order of most important (rank 1) to least important (rank 7) to a well-functioning board member’, and ‘rank the functional qualities mentioned below in an order of most important (rank 1) to least important (rank 7) to a well-functioning board’. By summing up all scores and dividing the total by the number of respondents, we were able to calculate an average score per functional quality. Again, the lower the score, the more important the functional quality is perceived to be.

As shown in table 5, the qualities independence (2.9), integrity (3.0) and knowledge and experience (3.3) are the most highly valued individual traits. Remarkably, individual’s network (5.9) and contribution to the team spirit (4.9) are not deemed very important. At the

group level, openness and honesty within the board (2.9), complementarities between members (2.9) and a competent chairman (3.1) are the most important ingredients of a well-functioning board. Quite interestingly, board committees (5.4) and informal contacts (5.9) are not valued that much. In sum, at both levels, it seems that the objective skills and abilities of the board and its members are mostly appreciated.

---- Insert Tables 5 and 6 about here ----

Finally, the respondents were asked to point out what functional quality (with a maximum of five) they recognized most by themselves and their supervisory board. As shown in table 7, our respondents mostly recognize the earlier mentioned qualities integrity, knowledge and experience, and independence, while the presence of a personal network, the well-functioning of committees and the existence of informal relations in the boardroom are the least identified ones.

---- Insert Table 7 about here ----

We also drafted a cross table for the functional qualities that were part of the research. By confronting the relative importance with the functional qualities that respondents recognize most in their own situation, we can analyze which areas are most critical and deserve attention. ‘Important’ is again classified as on or above average and ‘less important’ is classified as below average. Because the lower the score is, the higher the importance, this means that scores from 1 to 4 are labeled ‘important’ and scores higher than 4 (maximum is 7, the score for the lowest recognition). For the recognition of functional qualities, we followed the same method. The average percentage of recognition is 36. A quality aspect can be recognized on or above average on the one hand, and below average on the other.

Using the same Covey et al. (1994) method as described earlier, we can conclude that the qualities *openness and honesty* and *One Board, One Voice* have the highest priority (see table 8). These qualities score on or above average in importance and are relatively often recognized. Interestingly, both qualities refer to the supervisory board as a whole. It is remarkable that *openness and honesty* is on top of the list of collective qualities, while, at the same time, the *informal relation* of the supervisory board members with executives ends below. This could imply that respondents do not object against a formal relation with the executive board, as long as openness and honesty are key.

At the same time, it is remarkable that 4 out of 7 individual qualities are box ticked by more than half of the respondents, while not one of the collective qualities did receive that much support. From this outcome we conclude that individual qualities are more relevant to the target group than collective qualities. We could check the validity of this conclusion by ranking all outcomes (i.e. individual and collective qualities in only one list. If we would do that, *openness and honesty* would not be on top of the list but only fifth in rank, after four individual qualities: *independence, integrity, knowledge and experience*, and *professionalism*.

Finally, we asked the respondents to suggest functional qualities that could be an addition to the list. *Affinity with the mission and activities of the company* is one individual quality that was suggested, as well as being *able to relativize, having humor and empathy*, and being *involved* and *enthusiastic*. As collective quality *diversity in board composition* was suggested.

---- Insert Table 8 about here ----

DISCUSSION AND CONCLUSION

The past decennium shows important and rapid developments in the corporate governance systems of most Western countries (Ingley and Van Der Walt, 2005; Kiel and Nicholson, 2003; Yoshikawa et al., 2007). Generally, scholars have shown that these changes had a

significant impact on the “checks and balances” and role of different stakeholders. In this paper, we have discussed the impact of these changes on the challenges supervisory boards and their members face. A combination of an analysis of eleven self-assessment reports of supervisory boards, an exploratory survey among a sample of Dutch board members and five in-depth inter-view with supervisory board members, revealed that boards face important challenges that need urgent attention. In particular, challenging the executive board when necessary, working together with executives and obtaining sufficient quality information were seen as key areas of improvement. While our respondents generally feel that board members and boards are adequately skilled to perform, they assert that openness and honesty is critical, but regularly lacking. Interestingly, all these issues refer to relatively soft board and personal skills, elements that are not codified in corporate governance (self-)regulation.

These findings have three major implications for scholars and practitioners. *First*, the fact that most of our respondents experience several important challenges related to the functioning of supervisory boards and to the absence of certain group skills (i.e., openness, honesty and unity), seriously questions the current effectiveness of supervisory boards in monitoring management. Our study highlighted that it is particularly necessary to strengthen the position of supervisory boards and (further) improve the information flow between both boards. *Second*, the increased challenges associated with the supervisory board function, may put pressure on the non-executive market, as the pool of willing and qualified future candidates might become smaller. Simultaneously, this development may provide opportunities for executive search firms. Their services may become more valuable as it becomes more difficult for firms to find qualified candidates who are able to perform adequately. Moreover, the need for such companies to provide aid in educating and evaluating supervisory board members might increase as well. *Third*, our results suggest that corporate

governance codes and laws are (so far) unable to regulate the softer board issues that are perceived most critical for the functioning of supervisory boards. Interestingly, well-regulated elements, such as the presence board committees, are not deemed very important. Overall, this suggests that other intervention types might be more successful in tackling critical board challenges. For instance, establishing more social control, strengthening the role of the board secretary, regularly involving a third party or enlarging the power of shareholders might be beneficial ways forward.

This exploratory study has several limitations, but also provides avenues for future research. *First*, this study has treated all supervisory board positions similarly in order to establish a general trend. However, the specific challenges face may be contingent on the specifics of a firm's internal and external context. For example, future studies could investigate how a firm's size, ownership structure (family versus dispersed ownership), mission (profit versus non-profit) network structure (peripheral versus central network position) and international exposure affect a board's challenges and the required functional qualities. Furthermore, in line with our choice for the individual as one of the units of analysis, our observations might be contingent on a director's background, i.e., his/her status, professional training and experience. *Second*, we tend to see the outcomes of this study as impressions and a as 'relative truth' due to the fact that the research scale is limited. We had 41 respondents, of which 34 actually were in function as supervisory director at the moment of the research. It would be helpful to enlarge the number of respondents in order to receive more in-depth insights. Nevertheless, our exploratory design highlights the need to go beyond structural board characteristics and focus on the softer board processes and skills. *Third*, our findings may be contingent on the Dutch context. Future research studies could examine to which extent the similar developments are observable in other countries with a two-tier board model (for instance, Austria and Germany) and in countries with mixed board models (for

instance, Denmark, France, Italy and Macedonia). *Fourth*, although our results are clear about the challenges that supervisory directors most often experience, we obtained relatively little insight in why these challenges exist and where they come from. Future research could examine these interesting issues in more detail.

To conclude, our exploratory study has shown that supervisory boards and their members are confronted with important challenges in the Netherlands. In particular, the interaction between the supervisory board and management board remains an area of concern. Our respondents also highlight the need for more openness, honesty and unity in the board room. Interestingly, our respondents mainly hinted at problems that go far beyond the ‘usual suspects’ and visible features of boards of directors, once again highlighting the need to investigate actual board behaviour, dynamics and processes in more detail. Given the inherently social nature of these elements, there lies ahead a huge challenge for scholars and practitioners to contribute to a further improvement of the checks and balances in Western corporate governance systems.

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Table 1: Role of the Chairman in Different Board Models*

Board characteristics	One-tier Board Model	Two-tier Board Model
Composition	Executive and non-executive directors operate in one board.	Executive and non-executive directors operate in separate boards.
Committees	Mandatory or recommended.	Recommended.
Orientation	Shareholder/Stakeholder oriented.	Stakeholder oriented.
Countries	Most countries, among others used in the United Kingdom and United States.	Quite uncommon. Among others used in Germany and the Netherlands.
CEO Duality	Possible.	Not possible.
Independence	Not necessary.	Required.
Authority, liability	Same (legal) position as executives.	Different (legal) position as executives.
Tasks, responsibilities	Co-directing.	Supervising.

* Source: Adapted from Maassen, 1999

Table 2: Background Respondents of the Survey

		How many supervisory board positions do you have at the moment?				
How many years of experience do you have as a supervisory board member?		0*	1	2	3 or more	Row Total
	1-4	4 100%	9 64.3%	3 25%	2 25%	18 47.4%
	5-8	0 0%	4 28.6%	5 41.7%	3 37.5%	12 31.6%
	>8	0 0%	1 7.1%	4 33.3%	3 37.5%	8 21.1%
	Column Total	4 10.5%	14 36.8%	12 31.6%	8 21.1%	38 100%

* In total 3 respondents are not included in the table, because of having no supervisory board member position at the moment of the research. The answers of these respondents are, just like the 4 respondents that also do not have a supervisory board member position at the moment of the research but do have 1-4 years of experience, only used in the questions about opinions and rankings.

Table 3: Overview Interviewed Directors

Rob Pieterse	Former CEO of WoltersKluwer NV, Non-executive Board Member SAB Miller, Supervisory Board Chairman Royal Grolsch NV, member Committee-Tabaksblad
Kees Storm	Former CEO of AEGON NV, Supervisory Board Chairman AEGON NV, Pon Holdings, Royal KLM, Non-executive Board Member Unilever, InBev S.A., Baxter International
Tineke Bahlmann	Non-executive Board Member ING Group NV, Nedap NV
Rob van den Bergh	Former CEO of VNU / The Nielsen Company, Non-executive Board Member TomTom, Pon Holdings, VNU Media
Peter Elverding	Former CEO of DSM NV, Supervisory Board Chairman Océ, ING Group NV, Supervisory Board Member SHV, Friesland Campina, Supervisory Board Vice Chairman Q-Park

Figure 1: Number of challenge areas per respondent (n=34)

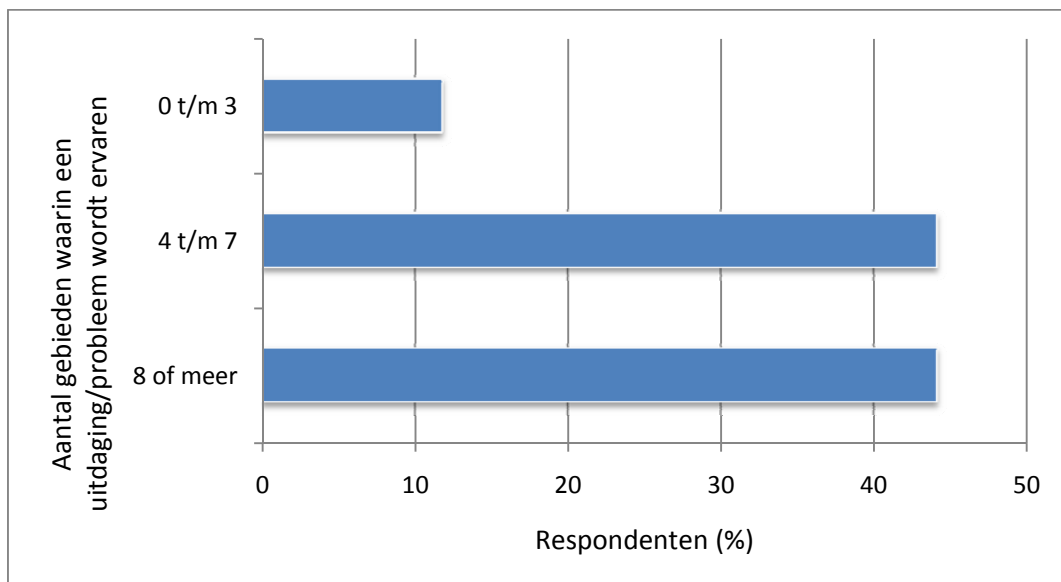


Figure 2: Have you ever encountered a challenge in the area of ... ? (n=34)

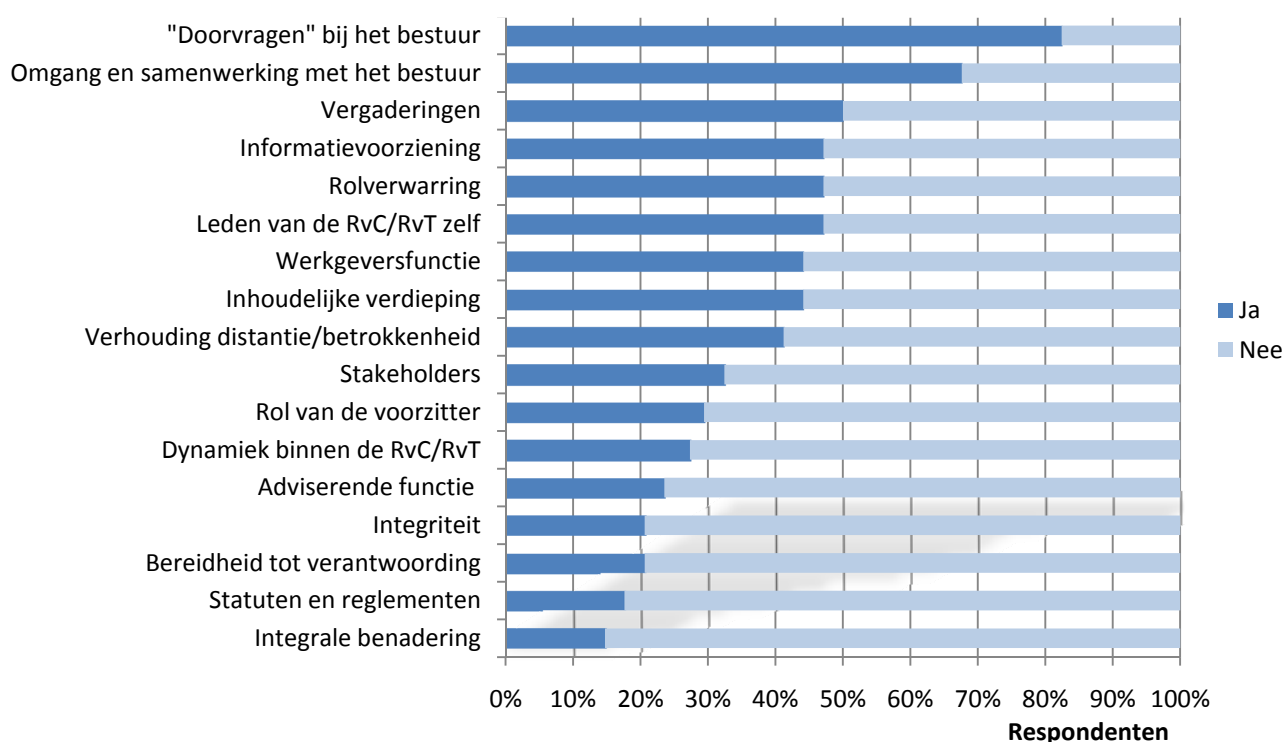


Table 4: Average importance per area, n=41, scale 1 to 5

	Average	Std. Dev.
Integrity	4.8	0.469
Interrogation	4.6	0.530
Information supply	4.4	0.586
Social intercourse and working with the executive board	4.3	0.609
Willingness to justify	4.3	0.784
Unclear roles between boards	4.2	1.000
Chairman's role	4.2	0.659
Integral responsibility	4.1	0.726
Relation distance/involvement	4.0	0.589
Members of the supervisory board	4.0	0.697
Advisory role towards executive board	3.9	0.600
Attention for subjects like ICT, HRM etc	3.9	0.565
Board dynamics	3.9	0.726
Effectiveness and efficiency of board meetings	3.9	0.566
Employer's task towards executive board	3.9	0.751
Stakeholder orientation	3.8	0.616
Statutes and by-laws	3.6	0.880
Average: total	4.1	0.668

Figure 3: Board challenges – Frequency versus Importance

	Important	Less important
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Relatively often experienced	<ul style="list-style-type: none"> – Interrogation – Information supply – Social intercourse and working with the executive board – Role confusion <p>(high priority; immediate action)</p>	<ul style="list-style-type: none"> – Proportion ‘being distant’ versus ‘being involved’ – Board members – Focus on content – Meetings – Employer’s task <p>(take action if time)</p>
Relatively not often experienced	<ul style="list-style-type: none"> – Integrity – Accountability (attitude) – Role of Chairman <p>(Take preventive measures)</p>	<ul style="list-style-type: none"> – Integral Approach – Advisory Role – Team dynamics – Stakeholder Orientation – Statutes, by-laws <p>(Low priority; no action)</p>

Source: Adapted from Covey et al. (1994)

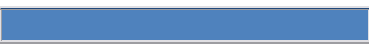
Table 5: Ranking of Individual Board Qualities (n=40, ranking 1 to 7)

Functional Quality	Total points	Average
Independence	115	2,9
Integrity	120	3,0
Knowledge & experience	132	3,3
Professionalism	148	3,7
Availability (attendance)	175	4,4
Team spirit	196	4,9
Personal Network	234	5,9

Table 6: Ranking of Group Board Qualities (n=40, ranking 1 to 7)

Functional Quality	Total points	Average
Openness & honesty	114	2,9
Complementarity	115	2,9
Competent Chairman	127	3,2
Relation to executive board	156	3,9
‘One board one voice’	157	3,9
Board committees	216	5,4
Informal relation	235	5,9

Table 7: Recognition of Functional Qualities (n=41)

Which of the functional qualities below do you recognize most in yourself and your their supervisory board? Choose five.		Response Percentage	Response Total
Integrity		27	67.5%







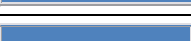





Knowledge & experience		26	65%
Independence		24	60%
Professionalism		21	52.5%
Relationship with exec board		19	47.5%
Complementarity		19	47.5%
Competent Chairman		16	40%
Openness & honesty		14	35%
Availability		11	27.5%
Team spirit		9	22.5%
'One board, one voice'- principle		6	15%
Personal Network		5	12.5%
Board committees		5	12.5%
Informal relation		0	0%

Table 8: Functional Qualities - Importance versus Recognition

	Important	Less important
Recognized relatively often as lacking	<ul style="list-style-type: none"> – Openness and honesty – ‘One Board, One Voice’ – Principle <p>(high priority; immediate action)</p>	<ul style="list-style-type: none"> – Availability – Team spirit – Personal Network – Board committees – Informal Relation <p>(take action if time)</p>
Recognized relatively little as lacking	<ul style="list-style-type: none"> – Independence – Integrity – Knowledge and experience – Professionalism – Complementarity – Competent Chairman – Relation with executive board <p>(take preventive measures)</p>	